



Maquiladoras Mean Business to Pennsylvania Company

Herr Industrial, Inc., a Lancaster Pennsylvania based company, has found the maquiladoras to be a lucrative export niche. Herr began selling systems into Mexico in 1982 and last year exported around \$6 million. Although Herr has exported to countries as far away as Egypt, Mexico represents their largest export market and is the reason that they were awarded Governor Ridge's Export Award in 1999.

Maquiladoras, also known as "maquilas" or in-bond plants, have been in existence since 1965 and operate under special Mexican customs treatment and preferential foreign investment regulations. The Mexican Government currently allows maquilas to import into Mexico duty-free on a temporary "in-bond" basis machinery, equipment, parts, raw materials and other components used in the assembly or manufacture of semi-finished or finished goods. Once assembled or manufactured, maquila products must be exported, unless special permission is obtained to sell a limited amount of output in the Mexican market. Currently there are 3,521 maquiladoras in Mexico and the majority are owned by U.S. companies. A number of Herr's domestic clients have also opened maquiladoras



Mexico Economic Update

Trade Balance: Mexico registered a trade deficit of \$334.3 million for April 2000, down from a \$412.8 million deficit in April 1999.

Exports: Total exports in April 2000 reached \$12,382.7 million, an increase of 17.56% with respect to April 1999. In April 2000 oil exports amounted to \$1,223.6 million, up from \$681.6 million in April 1999.

Imports: Imports for April 2000 were \$12,717.0 million, an increase of 16.18% over the same month in 1999.

Inflation: Prices in April 2000 grew 0.57%, compared to the previous month.

Employment: Open unemployment reached 2.45% in April 2000 down from 2.7% in April 1999.

Industrial Activity: Mexico's industrial production grew 5.1% in April 2000 over the same month in 1999. In April 2000, manufacturing output expanded 4.6%; mining activity increased 5.8%, and construction activity grew 7.2%.

Peso Exchange Rate: Pesos 9.843 / US\$1 (NY Federal Reserve Noon Exchange Rate –6/30/00).

Source: INEGI: Banco de Información Económica & Banco de México.



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in Mexico and have asked Herr to provide equipment for their Mexican manufacturing facilities.

Herr builds industrial paint finishing systems and thermal oxidizers for the printing and converting industries. Although they are a small business, they are able to handle large projects and have a reputation for very rugged, durable equipment. Because the paint finishing is usually an integral part of the manufacturing process, their equipment is typically sold as part of the initial equipment that goes into a manufacturing plant.

Herr has Spanish speaking people on staff and works with representatives in Mexico to offer turnkey capability including design, engineering, fabrication, installation and training. According to Chris Herr, product line manager for the paint finishing systems, "Our biggest challenge is transport in and out of Mexico. It varies from area to area and it is not easy to get equipment into Mexico in a timely fashion."

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Pennsylvania Merchandise Exports to Mexico – 1998

(Thousands of Dollars)

| | |
|------------------------------|-------------|
| Chemical Products | \$359,469 |
| Electric & Electronic Equip. | \$272,018 |
| Industrial Mach & Computers | \$221,455 |
| Primary Metals | \$135,401 |
| Rubber & Plastic Prod. | \$ 80,676 |
| Scientific & Measuring Inst. | \$ 61,558 |
| Fabricated Metal Products | \$ 40,986 |
| Apparel | \$ 36,287 |
| Food Products | \$ 35,028 |
| Transportation Equip. | \$ 30,661 |
| Total PA Exports to Mexico | \$1,425,224 |

Mexico was the second most important export destination for Pennsylvania products; Canada was the first.

Ask the NAFTA Experts

What happens if the producer, exporter or importer discovers that the NAFTA Certificate of Origin is incorrect? Can the Certificate be corrected?

If an exporter, producer, or importer determines that a certificate of origin is incorrectly filled out, they must execute a corrected form and provide it to the party or parties to whom they gave the incorrect form. If the exporter or producer has provided a certificate of origin, and has subsequently determined that the product is not a NAFTA originating good, or, that the Certificate of Origin was completed incorrectly, then he/she must notify, in writing, the parties to whom he/she gave the certificate that the certificate is invalid.

The importer must notify the customs authorities if he/she has incorrectly made a NAFTA tariff preference claim. The importer will not be subject to penalties, if, in the case of:

- a) Canada, the importer makes the corrected declaration within ninety days from the date on which the importer has reason to believe that the declaration is incorrect. This correction must be made on a properly completed Canada Customs form B2;
- b) Mexico, the importer, using a Customs broker, makes the corrected declaration before the Customs Administration begins an investigation regarding an incorrect declaration or initiates the exercise of its auditing powers on the accuracy of a declaration or an inspection pursuant to the application of the random selection procedures;
- c) The United States, the importer makes the corrected declaration within thirty days from the date on which the importer has reason to believe that the declaration is incorrect and such corrected declaration is made before the commencement of a formal investigation of the incorrect origin declaration. The corrected declaration shall include:
 - (i) The entry numbers and dates,
 - (ii) An amended written declaration as to whether or not the good qualified as an originating good at the time of importation,
 - (iii) The nature of the incorrect information.

Please feel free to submit questions relating to NAFTA to this column. Answers will be drawn from various government sources.

CALENDAR OF EVENTS

TRADE SHOWS IN MEXICO

| | | |
|--|---------|-------------|
| <u>LATIN AMERICA POWER</u> (POWER PRODUCTION EQUIPMENT) | 7/11-16 | MONTERREY |
| <u>MEXICAN MANUFACTURING WEEK</u> (QUALITY ASSURANCE, PLANT ENGINEERING, MANUFACTURING) | 7/19-21 | MEXICO CITY |
| <u>PAACE</u> (AUTOMOTIVE) | 7/28-30 | MEXICO CITY |
| <u>MUEBLE INTERNACIONAL DE VERANO</u> (FURNITURE EXPO) | 8/9-12 | GUADALAJARA |
| <u>CONFITEXPO</u> (FOOD & BEVERAGE, BAKING EQUIPT. & SUPPLIES) | 8/15-18 | GUADALAJARA |
| <u>CALL CENTERS MEXICO</u> (MANUFACTURERS, SUPPLIERS FROM CALL CENTERS) | 8/29-31 | MEXICO CITY |
| <u>METALMECANICA USA</u> (MACHINE TOOLS & METALWORKING) | 8/29-31 | MONTERREY |
| <u>AHR MEXICO</u> (HEATING, VENTILATION & AIR CONDITIONING) | 9/6-8 | MONTERREY |
| <u>PLASTIMAGEN</u> (PLASTICS PRODUCTION, USE & RECYCLING) | 9/5-8 | MEXICO CITY |
| <u>PRINTING & GRAPHIC ARTS</u> (PRINTING SERVICES) | 9/19-21 | MEXICO CITY |
| <u>ENVIRO-PRO</u> (ENVIRONMENTAL) | 9/26-28 | MEXICO CITY |

SOURCE: TSCENTRAL – WWW.TSCENTRAL.COM

TRADE SEMINARS & CONFERENCES FOCUSING ON MEXICO

NAFTA CERTIFICATE PROGRAM

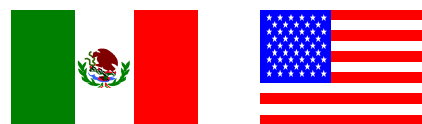
DATE: 07/12-13/00 LOCATION: DALLAS, TX
SPONSOR: NORTH TEXAS DEC (214) 747-1300
LEARN FIRST HAND ABOUT NAFTA CUSTOMS RULES

DOING BUSINESS IN MEXICO

DATE: 07/12 & 07/13/00 LOCATION: BROWNSVILLE &
MCALLEN, TX
SPONSOR: SOUTH TEXAS MBOC (956) 316-2619

LEARNING & LIVING SPANISH IN CUERNAVACA, MEXICO

DATE: 07/28-8/12/00 LOCATION: CUERNAVACA, MEXICO
SPONSOR: UNIVERSITY OF WISCONSIN WHITEWATER SMALL
BUSINESS DEVELOPMENT CENTER (262)472-3217



US – Mexico Small Business Connection 2000

Twenty-three U.S. businesses participated in the recent trade mission to Guadalajara, Jalisco, Mexico. The group was hosted by a coalition of Jalisco state government entities (FOJAL and JALTRADE) and federal government entities (SECOFI and NAFIN), as well as Casa San Antonio.

A number of the U.S. participants were extremely pleased with their matches and are already planning a second trip to Jalisco; others were less pleased with their matches, but managed to get referrals through their initial contacts that led to good business prospects. Most businesses considered the trade mission an excellent fact-finding experience and hope to do significant business in Mexico over the next year. Miriam Ouyang of Polywell Computers writes, "The trade mission matched us up with perfect business partner! Better than dating services! Our company was able to make connection with two Mexican companies. We are estimating \$1 million U.S. dollars business deals at the most conservative calculation."

The coalition of Mexican entities is now planning a reciprocal trade mission to San Antonio, Texas on September 13-15, 2000. If you would be interested in knowing more about the Mexican businesses that will be participating, please contact Sandy Nicholson at (210) 472-5913 or email at sandra.nicholson@sba.gov.

Upcoming Mexican Holidays

July 2 – Presidential Election Day

September 16 – *Día de la Independencia* – Independence Day – commemorates the beginning of Mexico's war of independence from Spain.



Profile of Chihuahua, México

Capital: Chihuahua Other Cities: Ciudad Juárez, Cuauhtemoc, Delicias, Camargo, Hidalgo del Parral, Nuevo Casas Grandes, Jiménez.

Population: 3.1 million (2000)

- 84% of population under 40 years
- 81% of population live in urban areas
- 38 universities & technical schools
- 26 industrial parks

Exports: US\$11.5 billion **Imports:** US\$9.9 billion

Chihuahua's major exports are electrical apparatus & television parts, machinery & mechanical apparatus, optical & medical instruments, auto parts, furniture, and agricultural products. Chihuahua is the largest state in Mexico and is located along the U.S.-Mexico border across from Texas and New Mexico. Ciudad Juarez is now the 4th largest city in Mexico.

Foreign Direct Investment

From 1994-1999, Chihuahua received a cumulative of US \$2.99 billion in foreign direct investment. The main sources of investment are the United States, and Canada. There were 401 maquiladora firms operating in the state in 1999.

<http://www.chihuahua.gob.mx>

SOURCES OF INFORMATION:

Pennsylvania Department of Community & Economic Development

Office of International Business Development
308 Forum Building
Harrisburg PA 17120
Phone: 1-888-PA EXPORT
Email: dcdoibd@dcad.state.pa.us
Website:

http://www.dcad.state.pa.us/PA_Exec/DCED/international/expnet.htm

Pennsylvania maintains 15 overseas representative offices, including one in Mexico City. Pennsylvania provides a variety of export services including trade missions, trade events, trade finance, technical assistance, matchmaking, and market intelligence.

Nacional Financiera (NAFIN)

1615 L Street N.W, Suite 310, Washington, DC 20036
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Email: nafinjm@worldnet.att.net
Website: <http://www.nafin.gob.mx>

Smooth Economic Transition?

By the time this newsletter is sent out, Mexico will have chosen its new president. The likely winner will be either Francisco Labastida (PRI) or Vicente Fox (PAN) as they appear even going into the final stretch.

The short-term challenge for either candidate will be overcoming the negative cycles that have come to Mexico after each of the past four government administrations. The current Mexican Secretary of Treasury, Jose Angel Gurria, insists that Mexico now stands on a much more solid economic foundation due to the following key factors that indicated vulnerability in 1994 that are now absent: the current account deficit is now at sustainable levels, internal savings are up; proactive debt management is being performed; fiscal discipline has been employed; international reserves are at historic levels; and a floating exchange rate regime is in place. In addition, the government has taken out \$23.7 billion dollars in contingency lines of credit with the World Bank, the International Monetary Fund, the International Development Bank and U.S. and Canadian treasuries. These funds are meant to stabilize the economy in the face of possible economic pressures. The recognition of Mexico's progress is the recent upgrade of both Moody's and Standard and Poor's ratings of Mexican debt. Wildcards remain the sustainability of growth, the weak banking system, and the large informal economy.

This office is the representative office in the U.S. of the Mexican Industrial Development Bank. Their mission is to promote investment and joint ventures in Mexico.

NAFTA Office/SECOFI

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This office promotes Mexican exports and foreign investment in Mexico, assists companies to do business with Mexico and follows up day-to-day Mexico-U.S. trade relations.

Small Business Administration

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